

Message Text

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PAGE 01 PEKING 02342 241604Z

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
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R 240735Z DEC 74
FM USLO PEKING
TO SECSTATE WASHDC 3018
INFO AMCONSUL HONG KONG

C O N F I D E N T I A L PEKING 2342

STADIS//////////

EXDIS

E.O. 11652: GDS
TAGS: ENRG ETRD CH
SUBJECT: EXXON NEGOTIATIONS WITH PRC

REF: A) HONG KONG 12007 B) HONG KONG 12401 C) STATE 280486

1. EXXON HONG KONG REPRESENTATIVE MEL SEARLS, IN VISIT TO PEKING CONCLUDED THIS WEEK, SUCCESSFULLY NEGOTIATED RENEWAL OF EXXON'S BUNKERING CONTRACT WITH THE PRC, AND HAD TALKS WITH THE CHINA NATIONAL CHEMICALS IMPORT AND EXPORT CORPORATION (SINOCHEM) ON THE POSSIBLE PURCHASE OF PRC CRUDE AND WITH THE CIVIL AVIATION ADMINISTRATION OF CHINA (CAAC) ON POSSIBLE SUPPLY OF FUEL TO CHINESE CIVIL AIRCRAFT.

2. SEARLS SAID HIS NEGOTIATIONS ON RENEWAL OF THE WORLDWIDE BUNKERING AGREEMENT WENT VERY SMOOTHLY, BUT HE DID NOT PROVIDE DETAILS. HE DID SAY EXXON HAS ABOUT 10 PERCENT OF THE CHINESE BUNKERING BUSINESS WHICH AMOUNTS TO DOLS40 OR DOLS50 MILLION PER YEAR. HE INDICATED NO KNOWLEDGE OF THE GULF CONTRACT WITH THE CHINESE DISCUSSED REF C. SEARLS TALKS WERE WITH THE CHINA NATIONAL CHARTERING CORPORATION (ZHONGZU) AND WITH THE CHINA OCEAN SHIPPING CORPORATION (COSCO), AND THE DEAL INVOLVES BUNKERING BOTH CHINESE-CHARTERED AND CHINESE-OWNED CONFIDENTIAL

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PAGE 02 PEKING 02342 241604Z

VESSELS. ZHONGZU, HIS HOST, ALSO TOOK HIM ON A VISIT

TO TIENTSIN.

3. WE DID NOT HAVE TIME TO DEBRIEF SEARLS IN DETAIL ABOUT HIS DISCUSSIONS WITH SINOCHEM AND CAAC. HE SAID ONLY THAT HIS TALKS WITH SINOCHEM ON THE POSSIBLE PURCHASE OF CHINESE CRUDE WENT WELL BUT THAT BOTH SIDES MUST CONSIDER THE MATTER FURTHER. HE ALSO SAID THAT CAAC SEEMED INTERESTED IN AN ARRANGEMENT WITH EXXON ON THE SUPPLY OF AVIATION FUEL BUT THAT NOTHING WAS SETTLED. AGAIN HE APPEARED TO HAVE NO KNOWLEDGE OF GULF'S DISCUSSIONS WITH THE CHINESE ON THESE MATTERS.

4. SEARLS IS SCHEDULED TO RETURN TO HONG KONG DECEMBER 24 AND CONGEN MAY BE ABLE TO OBTAIN FURTHER INFORMATION ABOUT HIS VISIT.

BUSH

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Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REFUELING, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 DEC 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PEKING02342
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740373-1058
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741212/aaaaajyq.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 74 HONG KONG 12007, 74 HONG KONG 12401, 74 STATE 280486
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 22 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 JUL 2002 by shawdg>; APPROVED <25 MAR 2003 by ShawDG>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EXXON NEGOTIATIONS WITH PRC
TAGS: ENRG, ETRD, CH, US, EXXON
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005